

CONSUMER PSYCHOLOGY AND DECISION MAKING

Winter Semester 2023 - 2024

Prof. Dr. Shashi Matta
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Office: NB 321
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Classes: Fridays, 12:30-18:30, NB-201
From October 27 - December 15, 2023
Review Session: Friday, February 9, 2024
Office Hours: By prior appointment

Course and Objectives

We are all consumers, each and every one of us. We consume something or the other every waking second of our lives. At this very second, you are consuming information. We consume products, services, ideas, knowledge, entertainment, desire, culture, social connectivity, persuasion, and more. How does our mind, deluged by consumption and never-ending choices, make decisions? This is the field of Consumer Psychology.

Consumer Psychology is an applied social science. At its core, it includes the study of why consumers behave the way they do in the marketplace. It has emerged as very powerful field that not only helps managers tailor their marketing in order to appeal to consumers, but also as a source of extensive knowledge that can help consumers help themselves and inform public policy.

The main objectives of this course are to:

- Critically examine the fundamental concepts of consumer psychology and behavior.
- Learn the sequential and non-sequential steps in a consumer decision-making process
- Understand the personal, social, and situational factors that influence consumer decision-making and post-decision processes
- Study the most common heuristics and biases that affect consumer decision making
- Understand how organizations, policy makers, and consumers can benefit from the understanding the psycho-logical principles underlying consumer behavior

Course Platform (Showbie) and Course Materials:

The course will employ a user-friendly learning management interface, **Showbie**, which all students are required to sign up for, using the class code shared with you via email. Please do not share this code with anyone else. It is only for registered students in this class. I am using a professional version of Showbie; hence it is free of charge for students.

The required readings for this course include articles from Harvard Business Publishing, and review articles from the Journal of Consumer Psychology Review. Students are expected to read the assigned articles and cases thoroughly prior to each class session and come prepared for discussion. These materials will be available to download on Showbie.

Evaluation: Graded Components, Grading Scale, and Instructor Expectations

Grade Structure

Final Exam: Friday, February 16, 2024, 12:00 - 14:00 100%

The final exam will consist of several application-based questions on the concepts learned in class. **The final exam will be held on Friday, February 16, 2024, from 12:00 - 14:00 h. You will receive the exam questions at 12:00 in the exam classroom, and have to upload your exam answers by 14:00 h on Showbie. There is no second period exam for this course, February 16, 2024 is the only exam date.** Please adhere to the following formatting instructions when you type your exam -

- Margins of 2.5 cm on all sides; File name format: Last Name_First Name.docx
- All written content (except for tables, figures, images if any) should be typed in Times New Roman font, size 12 point, single spaced.

Grading Scale (1.0 - 5.0)

1.0	93-100	Exemplary Performance
1.3	90-92.99	Strong Performance
1.7	87-89.99	Good Performance
2.0	83-86.99	Adequate Performance
2.3	80-82.99	Adequate Performance, with some deficiencies
2.7	77-79.99	Adequate Performance, with serious deficiencies
3.0	73-76.99	Weak Performance
3.3	70-72.99	Weak Performance, with serious deficiencies
3.7	67-69.99	Extremely Weak Performance, with serious deficiencies
4.0	60-66.99	Poor Performance, with pervasive deficiencies
5.0	< 60	Fail

Instructor Expectations

1. From my experience, I am convinced that learning is maximized when it is fun, participative, collaborative, and applied. I will incorporate all these elements into my classes. I want your complete buy-in, which means being fully present when in class, being well prepared for class, actively contributing, and adding value to your team and to the class. I will give you 100% and I expect the same.
2. I encourage you to ask questions during class, and meet with me in small groups or one-on-one, in-person or via Zoom, by setting up a prior appointment via email.
3. All sessions will be held in-person unless the university guidelines change, in which case we will adapt accordingly. Please be respectful of others and follow all guidelines.

COURSE TIMELINE

Week # 1: Friday, October 27, 2023, in NB-201

Part 1 **12:30 - 14:15**

Introduction to Consumer Psychology

Concepts: Introduction to Course Objectives and Format
 Syllabus Analysis
 Stimuli that Stimulate
 Diverse Consumer Insights

Part 2 **14:45 - 16:30**

The Basic Framework of Consumer Decision-Making

Concepts: The Consumer Decision Making Process
 Stages and Corresponding Psychological Processes
 Influences on the Decision-Making Process
 Insights for Consumers, Marketers and Policy Makers

Part 3 **17:00 - 18:30**

Application of Concepts: Team Exercises

Exercises: Class Exercise
 Formulating Consumer Insights
 Retrofitting an Insight
 Report Backs

REQUIRED READING: **Consumer Behavior and the Buying Process. Pages 1-16.** John Gourville and Michael Norton (2019), Harvard Business Publishing.

ASSIGNMENT: **Personal Profile Form**

Please complete and upload the Personal Profile Form on Showbie by **Monday, October 30, by 11:55 pm**

Part 1 **12:30 - 14:15**

Introduction to the Psychological Core

Concepts: Motivation, Ability and Opportunity (MAO) Framework
Sources of Motivation
From Exposure to Comprehension
Memory and Knowledge
Attitude Formation

Part 2 **14:45 - 16:30**

Unpacking Motivation

Concepts: Types of Involvement
Effort (High vs. Low)
What Determines Motivation?

Part 3 **17:00 - 18:30**

Application of Concepts: Team Exercises

Exercises: Understanding and Applying MAO
New Year Resolutions Exercise
Designing Stimuli
Report Backs

REQUIRED READING: **Three Sources of Motivation.** Maferima Touré-Tillery and Ayelet Fishbach (2018), Journal of Consumer Psychology Review.

Part 1 **12:30 - 14:15**

Introduction to the Judgment and Decision Making

Concepts: Judgment and Decision Making
 High Effort Decision making
 Low Effort Decision Making
 Influences on Consumer Decision Making

Part 2 **14:45 - 16:30**

Mental Accounting

Concepts: What is Mental Accounting?
 Transaction Utility
 Loss Aversion
 Applications in Consumer Behavior

Part 3 **17:00 - 18:30**

Application of Concepts: Team Exercises

Exercises: Classic Mental Accounting Experiments
 Framing Effects in Consumer Psychology
 Designing Stimuli for Products and Services
 Report Backs

REQUIRED READING: **Consumer Behavior and the Buying Process. Pages 16-30.**
 John Gourville and Michael Norton (2019), Harvard Business
 Publishing.

**Note on Sensory Marketing: Shaping Consumer
Perception and Behavior.** Aradhna Krishna (2019), William
Davidson Institute Publishing.

Part 1 **12:30 - 14:15**

The Role of Affect / Emotion in Consumer Psychology

Concepts: Introduction to the Role of Emotions in Consumer Behavior
 Emotions as a Consequence of Consumption Activity
 Emotions as a Motivator of Consumption Activity

Part 2 **14:45 - 16:30**

Emotional Decision Making and Emotional Consequences of Consumption

Concepts: Emotions and Coping
 Misprediction of Emotions
 Emotional Appeals used by Marketers
 Emotions and Hedonic Consumption

Part 3 **17:00 - 18:30**

Application of Concepts: Team Exercises

Exercises: Applying Concepts of Emotional Decision Making
 Deciding between Rational and Emotional Appeals
 Designing Stimuli using Emotional Appeals
 Report Backs

REQUIRED READING: **Affect Regulation and Consumer Behavior.** Charlene Y. Chen and Michel Tuan Pham (2019), Journal of Consumer Psychology Review.

Part 1 **12:30 - 14:15**

Individual Differences in Consumer Behavior

Concepts: Personality Traits
 Individual Difference Variables
 Consumer Diversity and Ethnic Segments

Part 2 **14:45 - 16:30**

Implicit Theories of the Self and Cross-Cultural Consumer Behavior

Concepts: Implicit Theories or Mindsets
 Can Individual Differences be Primed?
 How Culture Affects Consumer Behavior
 Tightness/Looseness, Power Distance, Global/Local

Part 3 **17:00 - 18:30**

Application of Concepts: Team Exercises

Exercises: Applying Implicit Theories to Affect Consumer Decisions
 Appealing to Multi-Cultural Consumer Segments
 Designing Stimuli: Combining Individual and Cultural Variables
 Report Backs

REQUIRED READING: **Consumer Psychology of Implicit Theories: A Review and Agenda.** Shailendra Pratap Jain and Traylor Jordan Weiten (2020), Journal of Consumer Psychology Review.

Cross-Cultural Consumer Psychology. Sharon Shavitt and Aaron J. Barnes (2019), Journal of Consumer Psychology Review.

Part 1 **12:30 - 14:15**

Introduction to Heuristics and Biases in Consumer Psychology

Concepts: What are Heuristics?
 What are Biases?
 System 1 vs. System 2 Thinking
 Availability Heuristic
 Representativeness Heuristic

Part 2 **14:45 - 16:30**

Understanding Well-Researched Heuristics and Biases

Concepts: Fundamental Attribution Error
 Base Rate Fallacy
 Anchoring and Adjustment
 Endowment Effect
 Bounded Rationality
 Halo effect
 Hindsight Bias
 IKEA Effect
 Mere Exposure Effect

Part 3 **17:00 - 18:30**

Application of Concepts: Team Exercises

Exercises: Applying Heuristics and Biases
 Choose a Domain: Health, Finance, Sustainability
 Biases that hinder or enable Product / Service Adoption
 Report Backs

REQUIRED READING: **Judgment under Uncertainty: Heuristics and Biases.** Amos Tversky and Daniel Kahneman (1974), Science.

Part 1 **12:30 - 14:15**

Social and Inter-Personal Influence in Consumer Psychology

Concepts: Introduction to Social Influence
 Inter-Personal Influence
 Informational Influence

Part 2 **14:45 - 16:30**

Social Norms and Social Comparison

Concepts: Reference Groups in Consumer Behavior
 Normative Influence
 Word-Of-Mouth-Influence
 Persuasion Principles of Social Influence

Part 3 **17:00 - 18:30**

Application of Concepts: Team Exercises

Exercises: Applying Principles of Social Influence
 Influencers and Opinion Leaders
 Designing Stimuli: Source of the Message
 Report Backs

REQUIRED READING: **A Contemporary Review of Three Types of Social Influence in Consumer Psychology.** Jennifer J. Argo (2020), Journal of Consumer Psychology Review.

How Online Word-Of-Mouth Impacts Receivers. Sarah G. Moore and Katherine Lafreniere (2020), Journal of Consumer Psychology Review.

Week # 8: Friday, December 15, 2023, in NB-201

Part 1 **12:30 - 14:15**

Application and Impact of Consumer Psychology in Life and Society

Concepts: Impact of Consumer Psychology
Public Policy Implications of Consumer Behavior
Morality, Ethics and Consumer Science

Part 2 **14:45 - 16:30**

Health, Wealth and Our Planet

Concepts: Sustainable Consumer Behavior
Financial Well-Being and Decision Making
Physical Well-Being and Decision Making
Nudging in Consumer Behavior

Part 3 **17:00 - 18:30**

Application of Concepts: Team Exercises

Exercises: Consumer Psychology for a Better World
Pick your Domain of Influence
Designing Stimuli: Impacting Positive Behaviors
Report Backs

REQUIRED READING: **Sustainable Consumer Behavior.** Remi Trudel (2019),
Journal of Consumer Psychology Review.

Week # 9: Friday, February 9, 2024 (REVIEW SESSION)

Important Review Session including Application Examples for Exam

Parts 1, 2, 3 **12:30 - 18:30 with multiple breaks**

Exercises: Review and Application of Consumer Psychology Concepts

Recommended Resources for the Keen and the Curious

My Favorite Books Related to Consumer Psychology and Behavior

1. The Undoing Project: A Friendship that Changed Our Minds

Michael Lewis, 2016

2. Thinking Fast and Slow

Daniel Kahneman, 2011

3. Nudge

Richard Thaler and Cass Sunstein, 2009

4. Influence: The Psychology of Persuasion, and, Pre-Suasion: A Revolutionary Way to Influence and Persuade

Robert Cialdini (5th Edition 2008, and 2018 respectively)

5. Mindset: The New Psychology of Success

Carol Dweck, 2007

6. How to Change: The Science of Getting from Where You Are to Where You Want to Be

Katy Milkman, 2021

7. The Power of Habit: Why We Do What We Do in Life and Business

Charles Duhigg, 2014

8. The Cambridge Handbook of Consumer Psychology

Edited by Michael Norton, Derek Rucker and Cait Lamberton, 2017

9. Misbehaving: The Making of Behavioral Economics

Richard Thaler, 2016

10. Hooked: How to Build Habit Forming Products

Nir Ayal, 2014

Course Instructor Biography: Prof. Dr. Shashi Matta

Professor Dr. Shashi Matta

Professor and Chairholder, Innovation and Creativity

Master's Courses Taught at WFI:

Consumer Psychology and Decision Making (Winter)
From Idea to Commercialization: Start-up School (Winter)
Past, Present, Future of Entrp & Innovation (Winter)
Innovation and Creativity (Summer)
The Science of Happiness (Summer)

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Biography

Shashi Matta is Professor and Chairholder of Innovation and Creativity, and Vice Dean of Internationalization, at WFI Ingolstadt School of Management at the Catholic University of Eichstätt Ingolstadt (KU). He is a Founding Director of the KU Research Institute for Business and Economics in Service of Humanity (**BESH**), and also serves as Academic Director of the MBA program, and Faculty Head of Marketing at WFI. Professor Matta joined KU in June 2018. His prior academic career includes positions as the Faculty Director of MBA Programs, and Professor of Marketing, at The Ohio State University Fisher College of Business, USA. He has been a visiting professor at business schools internationally, including at Toulouse Business School (TBS) in France, Bologna Business School (BBS) at the University of Bologna in Italy, and International University of Monaco.

Professor Matta is an award-winning researcher, teacher and mentor, and is dedicated to building strong bridges between academia, industry, and community. He engages extensively with industry through consulting, coaching, and keynote speaking engagements at several companies internationally in the areas of growth strategies, innovation, marketing strategy, branding & positioning, customer experience, happiness and well-being. He has served as an expert in these subject areas, for media stories nationally in the United States.

Professor Matta's industry experience, prior to academia, includes positions in brand management, advertising, and marketing operations. He has taught at all levels, including in Bachelor's, Master's MBA and Executive Education programs, and has won multiple teaching awards internationally.

Professor Matta's research is in the areas of consumer behavior, innovation, and branding. His research has been published in top ranked academic journals including the *Journal of Marketing*, *Journal of Consumer Research*, *Journal of Consumer Psychology*, *Journal of the Academy of Marketing Science*, *Journal of Retailing*, *AMS Review*, *Psychology & Marketing*, *Review of Marketing Research*, and, *Emotion*.

Professor Matta has experience serving on the board of directors of for-profit and non-profit organizations, and has been commissioned as an expert witness in legal cases involving brand confusion and consumer behavior.